



S. 496 – APPALACHIAN REGIONAL DEVELOPMENT ACT AMENDMENTS OF 2007

FLOOR SITUATION

S. 496 is being considered on the floor under suspension of the rules and will require a two-thirds majority vote for passage. This legislation was introduced by Senator George Voinovich (R-OH) on February 6, 2007. The bill passed the Senate, as amended, by unanimous consent on August 3, 2007.

S. 496 is expected to be considered on the Floor of the House on July 15, 2008, and will include a Manager's Amendment reflective of a bicameral agreement reached on the legislation after Senate passage. This Digest is reflective of the changes included in the Manager's Amendment.

Note: H.R. 799 is the House version of S. 496. H.R. 799 passed the House under suspension of the rules, as amended, by a vote of 332 – 70 on July 16, 2007.
Legislative Digest for H.R. 799.

SUMMARY

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Under current law, the Appalachian Regional Commission (ARC) may make grants towards promoting economic development in financially underserved areas of the Appalachian region.

S. 496 provides that these grants may not exceed 50 percent of administrative expenses; 75 percent of administrative expenses if the grant is for a county specially designated as economically "distressed" and with the consent of ARC; and 70 percent of administrative expenses if the grant is for a county specially designated as "at risk" of becoming economically distressed and with the consent of ARC. Additionally, the legislation incorporates ten additional counties into the Appalachian Region.

Note: The addition of ten counties to the Appalachian Region was not included in the bill as passed by the Senate.

The bill also provides that no more than 50 percent of the funds made available under this bill may go towards the total cost of any project eligible for assistance. However, for projects that are to be carried out in counties that are designated as "distressed" or "at risk," funds made available may cover no more than 80 and 70 percent of total costs, respectively. The bill applies these same percentage provisions to grants made for the planning, construction, and equipping of health facilities in the Appalachian Region; low- and middle-income housing projects in the Region; grants made to cover unrecoverable expenses incidental to planning and obtaining financing for economic improvement projects; projects intended to improve technology and telecommunications programs in the Region; and entrepreneurship and skilled business partnership initiatives intended to improve the job skills and labor training programs in the Region.

S. 496 also makes funds available through ARC to individuals and entities located in the Region to carry out projects intending to promote economic competitiveness in the Region, as well as energy efficiency initiatives increasing the use of renewable energy sources. Funding made available through this provision may cover no more than 50 percent of the total cost of any such economic competitiveness and energy related projects, and may cover no more than 80 and 70 percent of total costs in counties that are designated as "distressed" or "at risk," respectively. Also, the legislation required that any earmarks for programs under the ARC be derived from the ARC funds allocated for the state where the earmark project is located as opposed to being funded by the general appropriations for the ARC.

The legislation authorizes \$511 million in funding for fiscal years 2008-2012. Of this total, the bill authorizes \$87 million for use during FY2008, \$100 million for FY 2009, \$105 million for FY 2010, \$108 million for FY 2011, and \$110 million for FY 2012.



LEGISLATIVE DIGEST

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Note: These figures are not the same as those in S. 496 as passed by the Senate, nor as those passed by H.R. 799. However, the total level of authorization has remained approximately the same.

Also of this total, \$33 million of authorized funds are available for telecommunications and technology projects as well as \$64.4 million for economic competitiveness and energy related projects.

Note: H.R. 799 authorized \$48 million for energy initiative projects in addition to a general authorization of \$463 million, totaling \$511 million.

BACKGROUND

In 1965, Congress passed and President Johnson signed the Appalachian Regional Development Act (P.L. 89-4) for the creation of a program offering federal aid to improve the economic and social development of the Appalachian Region. Programs under this Act are administered by the Appalachian Regional Commission (ARC). At that time, one in every three Appalachians lived in poverty, per capita income in the region was 23 percent lower than the U.S. average, and high unemployment and harsh living conditions led over 2 million residents of the region to relocate to other areas.

The program's goals are to increase job opportunities and per capita income in the region, by reducing the area's isolation through highway building programs and infrastructure development to make the region economically competitive in the global economy.

According to ARC, "Appalachia, as defined in the legislation from which the Appalachian Regional Commission derives its authority, is a 200,000-square-mile region that follows the spine of the Appalachian Mountains from southern New York to northern Mississippi. It includes all of West Virginia and parts of 12 other states: Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, and Virginia.

According to the ARC, "About 23 million people live in the 410 counties of the Appalachian Region; 42 percent of the Region's population is rural, compared with 20 percent of the national population. The Region's economic fortunes were based in the past mostly on extraction of natural resources and manufacturing. The modern economy of the Region is gradually diversifying, with a heavier emphasis on services and widespread development of tourism, especially in more remote areas where there is no other viable industry. Coal remains an important resource, but it is not a major provider of jobs. Manufacturing is still an economic mainstay but is no longer concentrated in a few major industries" ([ARC website](#)).

H.R. 799, the House version of S. 496, also authorized \$511 million for fiscal years 2007-2011. Of these funds \$48 million were designated to establish an Economic and Energy Development Initiative, which is a grant program promoting energy efficiency and increased use of renewable resources and alternative fuels in the Appalachian region. H.R. 799 required that any earmarks for programs under the ARC be derived from the ARC funds allocated for the state where the earmark project is located as opposed to being funded by the general appropriations for the ARC.

COST

The Congressional Budget Office estimates that "implementing S. 496 would cost \$294 million over the 2007-2012 period." [Full CBO cost estimate for S. 496](#)

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